Svenson Hair Center Sdn Bhd v Irene Chin Zee Ling

HIGH COURT (KUALA LUMPUR) — SUIT NO D1–22–284 OF 2006
VINCENT NG J
31 JANUARY 2007

Civil Procedure — Injunction — Injunction to restrain former employee from using confidential information — Injunction to restrain defendant from calling, approaching or contacting plaintiff's customers — Balance of convenience — Whether defendant's livelihood affected

Contract — Breach — Confidentiality agreement — Customer's list and preferences found in customer's treatment card — Whether confidential

Contract — Restraint of trade — Application for injunction — Injunction to restrain ex-employee from contacting and or corresponding with all or any of present customers of ex-employer — Whether injunction amounted to restraint of trade

Labour Law — Employment — Employee's duty — Duty of fidelity and good faith — Confidential information and trade secrets — Customer's list and preferences found in customer's treatment card — Whether confidential — Whether ex-employees entitled to make use of such information for benefit of third party in competing with ex employer's business

The plaintiff sought an interim injunction to restrain the defendant from contacting and/or corresponding with all or any of the plaintiff's present customers until the judgment in this action. The defendant had been employed by the plaintiff since 24 February 1999 until her resignation in June 2005. Throughout her employment with the plaintiff, the defendant executed three employment agreements which contained express and specific prohibitions and strictures regarding confidentiality (cl 7), non-solicitation (cl 8) and non-competition (cl 9). Dispute arose upon the plaintiff's assertion that the defendant had set up a very similar business to that of the plaintiff's. The plaintiff further adduced evidence to show that the defendant had contacted the plaintiff's customers/clients after her cessation of employment and more importantly, that it would appear, prima facie, that the defendant might have taken and utilised the plaintiff's confidential information against

its interest. However, the defendant submitted that the customer list and preferences found in the customer's treatment card and the information contained in them were not confidential in nature as it did not satisfy the legal test as the information could be obtained directly from customers who present themselves to any beauty salon. The measures taken by the plaintiff to guard the secrecy of the relevant cards were minimal and were not guarded strictly by the plaintiff. Another point taken was that a business know-how was not protected by the law of confidential information, as it was the knowledge that the defendant acquired in the course of her employment and her business experience and in the course of earning her livelihood. The defendant also denied that it owed any duties of a fiduciary nature to the plaintiff. The defendant further contended that, the law permitted her to use her full skill and knowledge for her own benefit in competition with her former employer.

Held, allowing the application with costs:

(1) The confidentiality of the said confidential information (which included customer lists and details) could not be seriously disputed as it had been expressly mentioned in cl 7.01(ii) of the employment agreement. And, it must be recognised that particulars such as the customer's names, lists and details had also been judicially recognised as being confidential in nature, and wrongful utilisation of such particulars warranted injunctive protection (see para 10).

(2) On the facts, the plaintiff's customer's names, lists and details obviously could not become part of the defendant's 'own skill, knowledge and business experience' as it had been established that the defendant had taken possession of the plaintiff's customer treatment cards during the period of her termination notice. Although this was a finding which this court might have arrived at only after a full trial, it nonetheless raised the serious issue of whether the defendant had, by such conduct, breached her duty of good faith owed to the plaintiff (see para 11).

(3) There was generally no restriction to an ex-employee competing with his/her ex-employer by canvassing or doing business with the latter's former customers. This was certainly in line with general principles which allowed competition and was consonant with s 28 of the Contracts Act 1950. Notwithstanding this provision, what was not permissible, was for such competition to be pursued by wrongfully utilising the confidential information, eg, list of customers belonging to the ex-employer; and the courts had been vigilant to protect the employer's interest in this regard (see para 12); *Faccenda Chicken Ltd v Fowler* [1986] 1 All ER 617 followed.

(4) Reading the employment agreement as a whole, it became patently clear that whilst there was no general restriction on the defendant from soliciting and or competing with the plaintiff after 12 months, this did not apply to situations where such soliciting and or competition was effected through the use of the plaintiff's confidential information. Clause 7.02 of the employment agreement provided the plaintiff with the contractual right to restrain such breaches, whilst the law itself would enforce such contractual rights by the granting of an injunction (see para 16); *Thomas Marshall (Exports) Ltd v Guinle* [1978] 3 All ER 193 referred.

(5) In the instant case, the defendant was only an employee in the competing business (earning a salary and commission). Further, the injunction was merely to stop her from calling, approaching or contacting the plaintiff's customers that appear in the customer's list, as opposed to stopping her from working with the competing business. Thus, her contention that her livelihood and customer access right had been affected was misconceived (see para 18).

(6) The plaintiff had adduced sufficient prima facie evidence to show that it was not merely the 'know-how' and skill acquired in the course of her employment, but it was the secret and confidential information imparted by her employer that the defendant had attempted to use in breach of cll 7.01 and 7.02 of the employment agreement. Thus, the plaintiff had made out a case where there was a serious question to be tried (see para 23).

[Bahasa Malaysia summary

Plaintif memohon injunksi interim untuk menyekat defendan daripada menghubungi dan/atau menulis kepada kesemua atau mana-mana pelanggan-pelanggan semasa plaintif sehingga penghakiman tindakan ini. Defendan telah bekerja dengan plaintif semenjak 24 Februari 1999 sehingga peletakan jawatannya pada Jun 2005. Sepanjang perkhidmatannya dengan plaintif, defendan menandatangani perjanjian pekerjaan yang mengandungi larangan terus dan khusus dan sekatan berhubungan dengan maklumat sulit (klausa 7), larangan mencari pelanggan (klausa 8) dan larangan bertandingan dengan perniagaan plaintif (klausa 9). Pertikaian timbul dari penegasan plaintif bahawa defendan telah membuka sebuah perniagaan yang amat menyerupai perniagaan plaintif. Plaintif selanjutnya mengemukakan keterangan untuk menunjukkan bahawa defendan telah menghubungi pelanggan-pelanggan plaintif selepas pemberhentiannya dari kerja dan yang lebih penting, jelas secara prima facie, bahawa defendan mungkin telah mengambil dan menggunakan maklumat sulit plaintif bertentangan dengan kepentingannya. Defendan berhujah bahawa senarai pelanggan dan pilihan

mereka yang ditemui pada kad rawatan pelanggan dan maklumat yang terkandung di dalamnya bukanlah bersifat sulit kerana ia tidak memenuhi ujian undang-undang kerana informasi tersebut boleh diperolehi terus daripada pelanggan-pelanggan yang pergi ke mana-mana salon kecantikan. Langkah-langkah yang diambil oleh plaintif dalam melindungi maklumat sulit kad-kad tersebut adalah minimum dan ia tidak dilindungi dengan ketat oleh plaintif. Satu lagi hujahan ialah bahawa pengetahuan mengenai perniagaan tidak dilindungi oleh undang-undang maklumat sulit, kerana ia adalah pengetahuan yang defendan perolehi sepanjang pekerjaannya dan pengalaman perniagaannya dan semasa mencari mata pencariannya. Defendan juga menafikan bahawa dia menanggung sebarang tanggungjawab fidusiari terhadap plaintif. Defendan selanjutnya menghujah bahawa undang-undang membenarkannya menggunakan pengetahuan dan kemahirannya secara sepenuhnya untuk kepentingannya sendiri dalam bertanding dengan bekas majikannya.

Diputuskan, membenarkan permohonan dengan kos:

(1) Kerahsiaan maklumat sulit (yang termasuk senarai dan butir-butir pelanggan) tidak dapat dipertikaikan dengan serius kerana ia dinyatakan secara terus dalam klausa 7.01(ii) perjanjian pekerjaan. Dan, ia harus diterima bahawa butir-butir seperti nama-nama, senarai dan butir-butir pelanggan juga telah diiktirafkan oleh undang-undang sebagai bersifat sulit, dan penggunaan butir-butir secara salah mewajarkan perlindungan melalui injunksi (lihat perenggan 10).

(2) Di atas fakta nama-nama, senarai dan butir-butir pelanggan-pelanggan plaintif jelas tidak boleh menjadi sebahagian daripada 'own skill, knowledge and business experience' defendan kerana ia telah dibuktikan bahawa defendan telah mengambil milikan kad-kad rawatan pelanggan plaintif pada masa notis penamatannya. Walaupun penemuan ini akan hanya boleh dibuat oleh mahkamah selepas perbicaraan penuh, namun ia membangkitkan isu yang serius sama ada defendan telah, melalui tindakannya, melanggar kewajipan suci hatinya ke atas plaintif (lihat perenggan 11).

(3) Biasanya tiada had terhadap seseorang bekas pekerja untuk bersaing dengan bekas majikannya dengan melibatkan atau berniaga dengan pelanggan-pelanggan bekas majikannya. Ini sejajar dengan prinsip am yang membenarkan persaingan dan selaras dengan s 28 Akta Kontrak 1950. Namun, apa yang tidak dibenarkan ialah untuk persaingan sedemikian dilakukan melalui penggunaan maklumat sulit secara salah, umpamanya, senarai pelanggan-pelanggan kepunyaan bekas majikannya; dan mahkamah telah mengambil langkah berjaga-jaga

melindungi kepentingan majikan dalam hal ini (lihat perenggan 12); *Faccenda Chicken Ltd v Fowler* [1986] 1 All ER 617 diikut.

(4) Membaca perjanjian pekerjaan secara keseluruhan, ia adalah jelas sekali bahawa walaupun tiada sekatan am atas defendan daripada menawar dan atau bersaing dengan plaintif selepas 12 bulan, ini tidak terpakai kepada keadaan-keadaan di mana tawaran dan atau saingan dilakukan melalui penggunaan maklumat sulit plaintif. Klausa 7.02 perjanjian pekerjaan memperuntukkan plaintif dengan hak kontraktual untuk menyekat perlanggaran sebegini, manakala undang-undang pula akan menguatkuasakan hak kontraktual ini dengan memberikan injunksi (lihat perenggan 16); *Thomas Marshall (Exports) Ltd v Guinle* [1978] 3 All ER 193 dirujuk.

(5) Dalam kes ini, defendan hanyalah seorang pekerja di dalam perniagaan persaingan tersebut (dibayar gaji dan komisyen). Selanjutnya, injunksi tersebut hanya untuk menghentikannya daripada memanggil, mendekati atau menghubungi pelanggan-pelanggan plaintif yang terdapat di dalam senarai pelanggan-pelanggan, dan bukannya menghentikannya daripada bekerja dengan perniagaan saingan. Oleh itu, hujahannya bahawa mata pencariannya dan hak menghubungi pelanggan telah terjejas adalah salah tanggap (lihat perenggan 18).

(6) Plaintif telah mengemukakan keterangan prima facie yang mencukupi untuk menunjukkan bahawa ia bukan hanya 'know-how' dan kepakaran yang diperolehi defendan sepanjang kerjanya, tetapi maklumat sulit dan rahsia yang diberikan oleh majikannya yang defendan cuba gunakan dengan memungkiri klausa-klausa 7.01 dan 7.02 perjanjian pekerjaannya. Dengan itu, plaintif telah membuktikan satu kes di mana terdapat satu soalan yang serius yang perlu dibicarakan (lihat perenggan 23).]

Notes

For cases on application for injunction, see 3(1) *Mallal's Digest* (4th Ed, 2006 Reissue) para 4767.

For cases on confidentiality agreement, see 3(1) *Mallal's Digest* (4th Ed, 2006 Reissue) para 2573.

For cases on employee's duty, see 8 *Mallal's Digest* (4th Ed, 2006 Reissue) para 968–974.

For cases on injunction to restrain former employee from using confidential information, see 2(1) *Mallal's Digest* (4th Ed, 2007 Reissue) para 3057.

Cases referred to

American Cyanamid v Ethicon [1975] 1 All ER 504 (refd)

Amway Corporation & Anor v Eurway International Ltd & Ors [1974] RPC 82 (refd)

Drake Personnel Ltd v Beddison [1978] VIC Lexis 101; [1979] VR 13 (refd)
Electro Cad Australia Pty Ltd & Ors v Mejati RCS Sdn Bhd & Ors [1998] 3 MLJ 422 (refd)
Faccenda Chicken Ltd v Fowler [1986] 1 All ER 617 (folld)
Saltman Engineering Co Ltd & Ors v Campbell Engineering Co Ltd (1948) 65 RPC 203 (refd)
Schmidt Scientific Sdn Bhd v Ong Han Suan [1997] 5 MLJ 632 (refd)
Stevenson Jordan & Harrison Ltd v MacDonald & Evans (1952) 69 RPC 10 (refd)
Thomas Marshall (Exports) Ltd v Guinle [1978] 3 All ER 193 (folld)

Legislation referred to

Contracts Act 1950 s 28

Trevor George De Silva (Mohd Rohaizerin Rosli with him) (Lee Ong & Kandiah) for the plaintiff.
Celine Chelladurai (Zainurazira Zainal Abidin with her) (Zaid Ibrahim & Co) for the defendant.

Vincent Ng J (now JCA):

[1] The order being sought by the plaintiff in encl 10 is encompassed in prayer 2 (prayers 1 and 3 are not sought for the interim) which states as follows:

> An injunction to restrain the defendant, her servants or agents or otherwise howsoever from contacting and or corresponding with all or any of the present customers of the plaintiff (whose names are as set out in the Annexture 'A' hereto) until judgment in this action or further order of this honourable court.

COMMON GROUND

[2] Both parties are on common ground on the facts now set out below:

(a) The defendant had been employed by the plaintiff since 24 February 1999, rose through the ranks to the position of sales consultant in 2001 and resigned from her last held position of centre manager of the Petaling Jaya branch in June 2005.

(b) Throughout her employment with the plaintiff, the defendant executed a total of three (3) employment agreements (paras 6 to 8 and exhs VW-1, VW-2 and VW-3, encl 9) which contained express and specific prohibitions and strictures regarding confidentiality, non-solicitation and non-competition (para 16, encl 9). In this regard, the clauses in the said agreements are material and warrant reproduction herein below:

Clause 7.01: CONFIDENTIALITY

The Employee acknowledges that during the course of the Employment he may receive special training from the Company and may have access to:

(i) information, knowledge training, systems or methods, trade secrets, processes, programs, treatment, procedures, formulae, data, know-how, improvements, inventions, techniques, marketing plans and strategies from time to time developed by the company or any other member of the Group or otherwise relating to the business of the Company or other member of the Group, all of which are confidential to the Company and are acknowledged by the employee to be confidential in nature to the Company or other member of the Group (as the case may be);

(ii) *lists or details of customers of the Company or other member of the Group;*

(iii) lists or details of manufacturers or suppliers to the Company or other member of the Group; and

(iv) other information in respect of which the Company or other member of the Group is bound by an obligation of confidence to a third party;

(all such information hereinafter referred to as '*Confidential Information*').

Clause 7.02:

The Employee agrees that he shall not *whether during or after the termination of this Agreement* without limit in point of time (except as authorized or required by his duties hereunder or to the extent required by law or by an order from a court of competent jurisdiction):

(i) *divulge or communicate to any person any of the Confidential Information;*

(ii) use any such Confidential Information for any purpose other than that of the Company or other member of the Group and in the performance of his duties hereunder; and

(iii) through any failure to exercise due care and diligence cause any unauthorized disclosure of any such Confidential Information;

but so that these restrictions shall cease to apply to any such Confidential Information which may have come into the public domain otherwise than through any unauthorized disclosure by the employee.

(c) Whilst in employment with the plaintiff, the defendant was sent for training and management courses and she was groomed for a

managerial position by being provided with periodical on-the job training on treatments, products, sales and management (para 10, encl 9).

(d) The defendant owed the plaintiff duties of due care, diligence, fidelity and good faith which includes but is not limited to the duty not to act against the business interest of the defendant (para 30, encl 9).

[3] The expression 'Bella Beauty Business' in this case refers to the plaintiff's business of providing skin and beauty care, products and services which commenced business more than 15 years ago through its seven branches in Malaysia. Bella Beauty Business involves the provision of facial and body care for both females (which was carried out by Bella Skin Care) and males (being carried out by Men Skin Centres). The nature of the contractual prohibition pertaining to non-competition is contained in cl 9.01 which defines 'business' as 'the business of facial, body care and hair removal technology (light therapy) carried out by the (plaintiff) company prior to the termination of this agreement …' These facts are not in dispute by the defendant. The term 'competing business' used by the parties refers to the similar business known as Marique Wellness/His Skin formulation which commenced business in October 2005 (see para 9 of the statement of claim (encl 1) and para 8 of the defence (encl 7)). What is in serious dispute by the defendant (see para 10 of the defendant's affidavit in reply) is the plaintiff's assertion that the competing business was set up very similar to that of the plaintiff's and 'mimicking the plaintiff's business set up of Bella Skin Care which is run side by side with Men's Skin Centres'.

THE PLAINTIFF'S CASE

[4] One of the plaintiff's present employees, Ms Penny Chen, confirmed that in or about the end of June/early July 2005, she saw the defendant, together with her male friend, taking possession of several boxes containing the plaintiff's customer treatment cards (see paras. 27 to 29 of encl 9 and para 3 of encl 12). The defendant admits that the incident occurred but avers that the box contained bottled water (para 13 of encl 17). In reply to the plaintiff's averment (which detailed 27 names) that their customers/clients had been and were still were being contacted by the defendant (para 26 of encl 9) the defendant admits (in para 12 of encl 17) that she 'did in fact contact several of the plaintiff's clients', but not all of the clients named '… but I only contacted them to advise them that I was no longer working for the plaintiff'. One of the plaintiff's present customers, Ms Chai Yuen Min, has unequivocally deposed (para 4 of encl 13) that she was contacted by the defendant 'on no less than two occasions' informing me that Marique

Wellness … has been opened and asking me to go over there. I further state that I do not know how she got my contact details as at no time have I disclosed the same to her'.

[5] It is also the plaintiff's claim that the defendant had enticed its previous staff, one Susan Ng and Polly Chin, to join her at the competing business (paras 25 and 30(c) of encl 9) as well as wrongfully procured the plaintiff's customers, one Agnes Lee and Kristine Yap, to discontinue their treatment contracts with the plaintiff (para 31 of encl 9). And, that the evidence abovementioned are sufficient to show, inter alia, that the defendant did contact the plaintiff's customers/clients after her cessation of employment, to ask them to go over to the competing business and more importantly, that it would appear, prima facie, that the defendant may have taken and utilised the plaintiff's confidential information against its interest.

THE DEFENDANT'S CONTENTION

(a) There are no bona fide serious issues to be tried to warrant the grant of an injunction as the plaintiff's alleged confidential information, which comprises of the customer list, customer preferences and business know-how, cannot be considered to be confidential information; the defendant did not take copies of the plaintiff's customer treatment cards, or divulged or exploited the same; the contractual prohibition was void for illegality and the plaintiff has failed to prove the alleged common plan or design to compete with the plaintiff.

(b) Damages are an adequate remedy as the value of the alleged loss of business, if any, can easily be calculated.

(c) The balance of convenience is in favour of the defendant as her livelihood will be seriously affected, and in any event, the granting of an injunction at this stage would tantamount to an extension of the 12 months period stipulated in the employment agreement.

[6] On the crucial point that there are no bona fide serious question to be tried the defendant submitted in the following language. The customer list and preferences found in the customer's treatment card and the information contained in them are not confidential in nature as it does not satisfy the legal test and on the following basis. The information can be obtained directly from customers who present themselves to any beauty salon. The measures taken by the plaintiff to guard the secrecy of the relevant cards were minimal and were not guarded strictly by the plaintiff. In fact, the cards were kept in the drawers accessible to many other employees of the plaintiff who were holding the keys. The value of the said cards to the plaintiff and its competitors is not significant as they contain merely a history of a client's condition at that material time, but not current information.

Such information will be irrelevant and worthless as information which can be commercially exploited since they are personal information applicable only to the particular customer. The plaintiff has not expended effort or money to develop the information, as the information contained in the customer treatment card are only simple and basic information which are not technical or scientific in nature. Such information can be easily acquired or duplicated by others by directly asking the customer a few simple questions. See the case of *Electro Cad Australia Pty Ltd & Ors v Mejati RCS Sdn Bhd & Ors* [1998] 3 MLJ 422. Another point taken is that a business know-how is not protected by the law of confidential information, as it is the knowledge that the defendant acquired in the course of her employment and her business experience and in the course of earning her livelihood. Such information has also been made public by the plaintiff through its advertisements and other marketing material made available to the public, thus making the information public property and within the public domain. Court decisions in *Stevenson Jordan & Harrison Ltd v MacDonald & Evans* (1952) 69 RPC 10, *Amway Corporation & Anor v Eurway International Ltd & Ors* [1974] RPC 82; and *Saltman Engineering Co Ltd & Ors v Campbell Engineering Co Ltd* (1948) 65 RPC 203 ('*Saltman Engineering*') were cited in support of her contention. The plaintiff cannot render a piece of information as 'trade secret' by merely naming it as such. The alleged 'trade secrets' were not imparted to the defendant confidentially, and are just common business methods or know-how where the law cannot be extended to provide protection. The case of *Drake Personnel Ltd v Beddison* [1978] VIC Lexis 101; [1979] VR 13 was cited in support of their contention.

[7] There has been no unauthorised use of the plaintiff's confidential information to the detriment of the plaintiff as the defendant did not take out, duplicate or have in her possession the plaintiff's customer treatment cards or has been utilising the plaintiff's customer treatment cards. There are strongly contentious averments on this aspect of the issue which are totally denied by the defendant. Further, without the benefit of cross-examination of witness this court cannot decide the issue on affidavit evidence. In any event, any contact of the plaintiff's customers was based on a relationship that developed over time between the plaintiff's customers and the defendant, and the contact was largely initiated by the plaintiff's customers. The defendant was not involved in the formulation of the plaintiff's business discussions, plans, marketing strategies or business concept, and the marketing strategies and products employed by Marique is not similar to the plaintiff's. Any formulation of the same was done by the higher management of the plaintiff which the defendant was not a member of. The defendant therefore denies that it owes any duties of a fiduciary nature to the plaintiff. There is no obligation of confidence on the part of the defendant to the plaintiff *after her employment*. The law permits the defendant to use her full skill and knowledge for her own benefit in competition with her former employer.

Clause 7.02 which was stipulated to protect the alleged confidential information should be limited to a reasonable period of time from the termination of her employment. To restrict the defendant in perpetuity (as stated in cl 7.02) is unreasonable and thus the clause fails as a valid restriction.

THE LAW ON INTERIM INJUNCTION

[8] The principles whether or not to grant an interim injunction has been established in a patent infringement case of *American Cyanamid v Ethicon* [1975] 1 All ER 504 as follows:

(i) serious question to be tried;

(ii) whether damages could constitute an adequate remedy if the injunction is not granted;

(iii) balance of convenience lies in favour of granting the injunction;

(iv) if balance appears even, to consider preservation of status quo;

(v) if this seems even, consider the relative strengths of each party's case; and

(vi) most importantly, at this early stage of the proceedings, the court must be mindful that the relative strengths of each party's case should be considered only on a prima facie basis without dealing with the existing evidence in detail and giving reasoned assessments of the court's views that is, to try to resolve conflict of evidence on affidavits as to the facts.

[9] The current position in both the UK and Malaysia on the law pertaining to interim injunction is the same ie the principles enunciated in *American Cyanamid* case are still good law in Malaysia and have been consistently affirmed.

THE COURT'S FINDINGS

[10] In my judgment, the confidentiality of the said confidential information (which includes customer lists and details) could not be seriously disputed as this has been expressly mentioned in cl 7.01(ii) of the employment agreement. And, it must be recognised that particulars such as customer's names, lists and details have also been judicially recognised as being confidential in nature, and wrongful utilisation of such particulars warrants injunctive protection. Some cases on point are *Faccenda Chicken Ltd v Fowler* [1986] 1 All ER 617 (CA) ('*Faccenda Chicken*'); *Thomas Marshall (Exports) Ltd v Guinle* [1978] 3 All ER 193. In *Schmidt Scientific Sdn Bhd v*

Ong Han Suan [1997] 5 MLJ 632 even the 'list of names and address of customers and suppliers' were classified as trade secrets. A

[11] Obviously, the plaintiff's customer's names, lists and details could not become part of the defendant's 'own skill, knowledge and business experience' as the defendant had submitted. It is pertinent to note that the plaintiff has, prima facie, shown in Penny's affidavit that the defendant had taken possession of the plaintiff's customer treatment cards during the period of her termination notice. Although this is a finding which this court may arrive at only after a full trial, it nonetheless raises the serious issue of whether the defendant had, by such conduct, breached her duty of good faith owed to the plaintiff. Neill LJ in the *Faccenda Chicken* made the following dicta which is apposite to the instant case: B C

> *the duty of good faith will be broken if an employee makes or copies a list of the customers of the employer for use after his employment ends* or deliberately memorises such a list, even though, except in special circumstances, there is no general restriction on an ex-employee canvassing or doing business with customers of his former employer. D
>
> (Emphasis added.) E

[12] The above dicta in *Faccenda Chicken* clearly lays down the law, which is equally applicable in Malaysia, that there is generally no restriction to an ex-employee competing with his/her ex-employer by canvassing or doing business with the latter's former customers. This is certainly in line with general principles which allows competition and is consonant with s 28 of the Contracts Act 1950. Save for an agreement not to carry on business of which the goodwill is also sold, or between partners prior to dissolution or during continuance of partnership, s 28 provides that: 'Every agreement by which anyone is restrained from exercising a lawful profession, trade, or business of any kind, is to that extent void'. Notwithstanding this provision, what is in my view not permissible, is for such competition to be pursued by wrongfully utilising the confidential information, eg list of customers belonging to the ex-employer; and the courts have been vigilant to protect the employer's interest in this regard. In *Thomas Marshall* the rationale for the court granting an interlocutory injunction to restrain 'disclosure' but not 'usage' of such information was explained thus: F G H

> The *court would also grant an injunction restraining the disclosure of the company's confidential information and trade secrets* but since the term 'disclosure' used in the agreement did not extend to 'use' the court would not grant an injunction restraining the use of such information. I
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> (Emphasis added.)

[13] It is of vital importance to note that in *Thomas Marshall* the impugned agreement did not incorporate clauses such as cll 7.01(ii) and 7.02(ii) in the case at hand.

[14] The law of confidentiality in the context of relationship between employer and employee, and of restrictive covenants has been set out in *Faccenda Chicken* as follows:

(1) Where the parties are, or have been, linked by a contract of employment, the obligations of the employee are to be determined by the contract between him and his employer: cf *Vokes Ltd v Heather* (1945) 62 RPC 135 at p 141.

(2) In the absence of any express term, the obligations of the employee in respect of the use and disclosure of information are the subject of implied terms.

(3) While the employee remains in the employment of the employer the obligations are included in the implied term which imposes a duty of good faith or fidelity on the employee. For the purpose of the present appeal it is not necessary to consider the precise limits of this implied term, but it may be noted: (a) that the extent of the duty of good faith will vary according to the nature of the contract (see *Vokes Ltd v Heather*); (b) that the duty of good faith will be broken if an employee makes or copies a list of the customers of the employer for use after his employment ends or deliberately memorises such a list, even though, except in special circumstances, there is no general restriction on an ex-employee canvassing or doing business with customers of his former employer (see *Robb v Green* [1895] 2 QB 315; [1895] All ER Rep 1053 and *Wessex Dairies Ltd v Smith* [1935] 2 KB 80; [1935] All ER Rep 75).

(4) The implied term which imposes an obligation on the employee as to his conduct after the determination of the employment is more restricted in its scope than that which imposes general duty of good faith. It is clear that the obligation not to use or disclose information may cover secret processes of manufacture such as chemical formulae (see *Amber Size and Chemical Co Ltd v Menzel* [1913] 2 Ch 239, or designs or special methods of construction (see *Reid Sigrist Ltd v Moss Mechanism* (1932) 49 RPC 461), and other information which is of a sufficiently high degree of confidentiality as to amount to a trade secret.

(5) In order to determine whether any particular item of information falls within the implied term so as to prevent its use or disclosure by an employee after his employment has ceased, it is necessary to consider all the circumstances of the case. We are satisfied that the following matters are among those to which attention must be paid. (a) The nature of the employment. Thus employment in a capacity where 'confidential'

material is habitually handled may impose a high obligation of confidentiality because the employee can be expected to realise its sensitive nature to a greater extent than if he were employed in a capacity where such material reaches him only occasionally or incidentally. (b) The nature of the information itself. In our judgment the information will only be protected if it can properly be classed as a trade secret or as material which, while not properly described as a trade secret, is in all the circumstances of such a highly confidential nature as to require the same protection as a trade secret *eo nomine*. The restrictive covenant cases demonstrate that a covenant will not be upheld on the basis of the status of the information which might be disclosed by the former employee if he is not restrained unless it can be regarded as a trade secret or the equivalent of a trade secret: see for example *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688 at 710, [1916–17] All ER Rep 305 at p 317 per Lord Parker and *Littlewoods Organisation Ltd v Harris* [1978] 1 All ER 1026 at p 1037; [1977] 1 WLR 1472 at p 1484 per Megaw LJ.

[15] Let me unravel the subtle and delicate underlying basis of several court decisions which formulated the principles governing restraint of trade. It could be thus stated. The law does not debar an ex-employee from making any use of or drawing on a fund of knowledge and experience or skills that he had acquired while working for the employer. That would be tantamount to depriving him of his livelihood. The law only imposes on the employee a general duty to act in good faith, such as a man of average intelligence and honesty would think proper. Depending on the facts and circumstances of the case, the law also imposes an obligation on the employee not to use or disclose trade secrets or to do what he has covenanted not to do — as in the instant case. Clearly, acts such as memorising a formula or a list of the employer's customers or taking away such list by an employee for his use is improper and would constitute acting in bad faith. In this context it is wholly pertinent to observe that cl 7.01(ii) and cl 7.02(i) and (ii) (above) of the employment agreement expressly proscribes the '*use* of any confidential information' as well as the disclosure ('divulge') of information.

[16] By no account could the granting of the injunction now being sought be tantamount to 'extending the 12 months period' considering that the time limits mentioned in cll 8.02 and 9.02 pertain only to non-solicitation and non-competition. These clauses must be read in consonance and in conjunction with cl 7.02 (above) which expressly states that the 'Employee agrees that he shall not *whether during or after the termination of this Agreement* without limit in point of time', divulge or use such information. In this regard, it is also noted that:

(a) under cll 8.02 and 9.02, the defendant is precluded from soliciting and/or competing with the plaintiff within 12 months from her termination of employment. Though the defendant says that such clauses may themselves be in restraint of trade and thus not enforceable, this is not the basis of the plaintiff's present injunction application;

(b) the plaintiff's right in law to protection of its confidential information is premised on cl 7.02 above, which does not have any time limit. As such, reading the employment agreement as a whole, it becomes patently clear that whilst there is no general restriction on the defendant from soliciting and or competing with the plaintiff after 12 months, *this does not apply to situations where such soliciting and or competition is effected through the use of the plaintiff's confidential information*. In the latter situation, cl 7.02 provides the plaintiff with the contractual right to restrain such breaches, whilst the law itself will enforce such contractual rights by the granting of an injunction. This much is clear from the ratio in *Thomas Marshall* as discussed above, and wherein Megarry VC had also expressed in the following views in succinct language (at p 199):

> The case is not one, of course, in which the company seeks to restrain the defendant from engaging in any competing work, *but one in which the company merely seeks restraints in terms of what I have called the soliciting order and the breach of confidence order*.
>
> (Emphasis added.)

[17] If a contrary view is taken by this court in the current case, it would mean that the defendant, notwithstanding her blatant breach of contract and trust in wrongfully obtaining the confidential information, need only wait for the 12 months period to expire before she could exploit such information with impunity. That cannot have been the intention of parties even from a plain reading of cll 7.02, 8.02 and 9.02 of the employment agreement.

[18] On the point of balance of convenience, it is my view that the defendant's contention in regard to her livelihood and customer access right being affected is misconceived considering that the defendant is admittedly only an employee in the competing business (earning a salary and commission). Further, the injunction is merely to stop her from calling, approaching or contacting the plaintiff's customers that appear in the customer list, as opposed to stopping her from working with the competing business. The fact that the competing business has, to date, not sought to intervene in the present proceedings is ample indication that its business has not been, and will not be, affected by any order that this court may make.

[19] In regard to her contention that an injunction would affect her livelihood, this is but a bare and unsupported averment made by the defendant, as nowhere has she stated how she would be affected. I am unable to fathom how her employment could be terminated due to her being restrained from wrongfully contacting the plaintiff's customers. If the argument is that she would lose her sales commission, this can clearly be quantified and compensated by an order of damages should she succeed at the trial. Such arguments pale in comparison to the injury and loss that would be caused to the plaintiff should such an injunction not be granted. This is quite apart from the distinct probability that the defendant would not be in a position to financially satisfy the grave injury, loss or damage to the plaintiff, which may not be quantifiable.

[20] The defendant's contention that such an order will be impossible to 'police' is, in my opinion, also misconceived. The order sought merely restrains the defendant from misusing the plaintiff's confidential information by calling or contacting the plaintiff's customers. This breach will in all probably be known when the said customers, presently for instance, Julie Teh and Chai Yuen Ming who had indeed complained to the plaintiff. The order does not restrain customers from contacting the defendant (if they so choose), and if they do so, it is unlikely that they will complain to the plaintiff. The phrase 'plaintiff's customer' is not too wide as it has already been defined by virtue of the list of customers, from which, at the defendant's own request, the plaintiff had removed two (2) names, being Agnes Lee and Julie Teh.

[21] I also do not find any inordinate delay in making the application as contended by the defendant. The uncontroverted evidence (see paras 23 & 26 of encl 9) before this court is that although the competing business commenced in late September 2005, it was only in January 2006 that the plaintiff discovered that the defendant was contacting the plaintiff's customers, following its internal investigations through Penny Chen, who reported that the defendant had taken the customer treatment cards.

[22] The essence of the three decisions in *Stevenson Jordan*, *Amway Corp* and *Saltman Engineering* cited by counsel for the defendant can be summarised in this way. Employees may, in the course of earning their livelihood learn certain skills and experiences which is not inaptly described as 'know-how'— though in certain political systems the term 'know-who' has also gained considerable currency (pun intended). The term 'know-how' indicates something quite essentially different from secret and confidential information. Rather, it indicates the way in which a skilled man does his job, and is an expression of his individual skill and experiences. The court cannot protect this 'know-how' type of information or skills which an employee has

acquired during the course of his employment. It is merely 'know-how' which an employers cannot keep exclusively to themselves. Further, the information, to be confidential, must, apart from what is expressed in the contract, have the necessary quality of confidence about it, namely, it must not be something which is public property and public knowledge, and an employer cannot protect himself against competition per se. The ratio in *Electro Cad* is of no assistance to the defendant, as in that case the plaintiffs secured an injunction due, inter-alia, to cl 4 of the agreement (which is similar to cll 7.01(ii) and 7.02(i) and (ii) in our current case) whereby the first defendant was found to be in breach of its obligation to keep certain information obtained from the plaintiffs strictly confidential.

[23] In the circumstances the issues to be tried, would include: (a) whether the defendant had wrongfully taken copies of the plaintiff's customer treatment cards; (b) whether she had divulged these to the competing business or exploited these against the plaintiff's interest; (c) whether she had acted in blatant contravention of her contractual prohibitions pertaining to confidentiality, non-solicitation and non-competition; and, (d) whether there was a common plan or design to wrongfully compete with the plaintiff by utilising the latter's confidential information to its detriment. On this aspect of the law, it is useful to bear in mind that in *Drake Personnel* it was held (Held 4) that a person is entitled to protection against having his client solicited or enticed away, though he cannot protect himself against competition per se. I am entirely satisfied that the plaintiff has adduced sufficient prima facie evidence to show that it was not merely the 'know-how' and skill acquired in the course of her employment, but it was the secret and confidential information imparted by her employer that she had attempted to use in breach of the said cll 7.01 and 7.02 of the employment agreement. Thus, I have to conclude that the plaintiff has made out a case that there is a serious question to be tried in this case.

[24] I hold that damages will not be an adequate compensation for the plaintiff in view of the very nature of the breach of contractual prohibition and confidence, which make it difficult for the plaintiff to quantify monetarily its loss of patronage of customers and/or the long term loss and damage to the Bella Beauty Business' business, strategies and competitiveness. On the contrary, any damage occasioned to the defendant as a result of the grant of the injunctions can be quantified as she is only an employee of the competing business for which she draws a salary and a commission on sales (see para 18 of encl 17). I find that the balance of convenience clearly lies in favor of the injunctions being granted, and that the defendant would certainly be able to recover any damages (if and when awarded) from the plaintiff, a well established business entity, whereas even if damages were to be a sufficient remedy for the plaintiff the converse is doubtful.

[25] To summarise, the injunction presently being sought by the plaintiff is to protect its confidential Information pertaining to its customer lists, names and details, from continuing to be exploited by the defendant. That this information belongs, in law, to the plaintiff is beyond doubt, as is the fact that the defendant has no right to avail herself of the same without the plaintiff's consent. I am satisfied from a careful study of the material deposed to in all the affidavits, that the plaintiff had fulfilled the *American Cyanamid* test for the grant of such an injunction.

[26] This court is ad idem with and would, for the present purpose, adopt the words of Megarry VC in *Thomas Marshall* who had this to say:

> It *seems to me that the company has at least a good arguable case on this point*. Applying the *Cyanamid* principles as best as I can, I think that *the balance of convenience* and not least the status quo existing before the defendant began the conduct of which the company complained so promptly on discovering it, point to granting a suitable injunction to enforce this duty. Certainly if damages have to be paid one way or another, on the evidence as it stands, the prospects of the company being able to pay seems to me to outweigh substantially the *prospects of the defendant being able to pay, especially in view of what has been said on his behalf. Furthermore, I think that the quantum of damages would be much harder to assess for the company than the defendant*.
>
> (Emphasis added.)

[27] In the event, the orders prayed for in prayer (2), as subsequently amended in its application (enc 10) ought to be and is allowed with costs in the cause upon the usual undertaking in damages by the plaintiff.

Application allowed with costs.

Reported by Sally Kee